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LITIGATION/PATENTS

Patent Enforcement is a Reality in Brazil

Over the past five years, there has been a substantial increase in the number of new court actions seeking to enforce patent rights in Brazil. For example, almost eighty new patent actions were filed before the Brazilian Courts in the year 1997. This number increased to more than two hundred new filings in the year 1999.

There are several reasons for this phenomenon, including the development of the local market and the significant improvement in the economic situation of the country. There are, however, two legislative reasons that might be the real driving force behind this new tendency in Brazilian Courts: the enactment of the new Brazilian Industrial Property Law (BIPL), law nº 9,279/96, in 1997 and the TRIPS Agreement. In fact, these new legal tools for enforcement of patent rights in Brazil are definitively leading patent holders to litigate for the protection of their rights, and for

monetary compensation due to the violation of their patents.

This new tendency is also leading Brazilian Courts to be more severe in their analysis of patent infringement cases. For instance, in 2001, Brazilian Courts found 83% of the decided cases to be valid and infringed, where the patent owners were foreign companies. This percentage shows that Brazilian Courts in general are taking a very pro-patent-owner view when judging patent infringement cases.

New Effective Legal Remedies

Under the recent Brazilian Law, a patent infringement may be both a tort and a criminal offense. According to the BIPL, infringement of a patent occurs by:

- a) manufacturing of a patented product without the authorization of the patentee;
- b) using a patented process without the authorization of the patentee;
- c) the export, sale, exhibition or offering for sale, maintaining in stock, concealing or receiving, with a view to use for economic purposes, of a product manufactured in violation of a patent;
- d) importing a patented product without the patentee's consent, for the purposes mentioned in item c above, provided that the product has not been placed on the market by the patentee or with his consent;
- e) supplying a component of a patented invention, provided that the final application of this component necessarily leads to the exploitation of the subject-matter of the patent.

It is important to note that protection against both contributory infringement and infringement by equivalence are also expressly provided for under the Brazilian Legislation. In cases of infringement of process patents, the law also provides for the reversal of the burden of proof (the defendant has to show that he is not using the patented process in the manufacture of his products).

As mentioned before, the patent holder in Brazil is allowed to seek both criminal and civil remedies simultaneously to stop the patent violation. The following remedies are available under the local law:

a) criminal remedies:

- ex parte search and seizure of the infringing products;
- criminal complaint;
- imprisonment of the infringers; and
- fines.

b) civil remedies:

- search and seizure of the infringing products;
- ex parte preliminary injunctions;
- recovery of damages;
- destruction of seized products; and
- recovery of attorney fees and judicial costs.

For instance, in the civil sphere, the BIPL allows the judge to grant an *inaudita altera parte* preliminary restraining order, to determine the immediate cessation of the patent violation. The judge may also order the ex parte seizure of all the infringing products, which is a very effective tool to combat patent infringement. The judges are very flexible when granting these types of measures, where the plaintiff can prove a strong right, deserving protection and the judge can be convinced that the plaintiff's right is threatened by the activity of the defendant, and could be severely damaged if no action is taken before a final decision on the merits is rendered.

Moreover, the patent holder may also seek compensation for the damages caused by the violation. According to article 210 of the BIPL, the damages (loss of profits) will be determined by the most favorable to the injured party of the following: a) the benefits that would have been gained by the injured party if the violation had not occurred; b) the benefits gained by the author of the violation of the rights; or c) the remuneration that the author of the violation would have paid to the proprietor of the violated rights, for a granted license which would legally have

permitted him to exploit the subject matter of the right.

In view of this, even if the infringer does not keep records of his illegal operations, it is possible to determine the damages using different criteria, such as the benefits that would have been obtained by the injured party if the violation had not occurred, or the remuneration that the infringer would have paid to the owner of the violated rights for a license.

Besides the civil measures, if a patent owner detects a patent infringement by a specific Brazilian company, one of the possible responses against the infringer is the filing of a Criminal Search and Seizure procedure. This is a criminal injunction procedure that authorizes the title holder to seize the infringing products, and obtain enough elements to start a criminal action against the legal representatives of the companies involved (or against the people who committed the crime).

The Criminal Search and Seizure procedure is a preliminary measure (necessary for providing elements for the proposal of a criminal action). It was originally created to collect evidence of the infringement, and also to enable the patent holder to obtain a legal expert opinion on samples of the infringing products, in order to confirm the infringement. However, in view of a new provision inserted in the BIPL, the owner of an infringed patented process may request the extension of the effects of the decision to seize the totality of the products manufactured using the patented process. This means that, depending on the Judge's opinion, this kind of measure may generate the same effects as a preliminary injunction order granted by a civil court.

If the infringement is confirmed by the experts, the patent owner will need to file a subsequent complaint in order to start the private criminal action. After a final decision with the condemnation of the defendant, the Judge may order the destruction of the products seized

during the criminal search and seizure and, according to the conditions of the people involved, may determine the arrest of the defendants. The criminal penalties against a patent infringer vary from one month to one year of detention, or a fine.

In short: patent owners in Brazil have several effective legal tools to protect their patent rights, and the local courts are not reluctant to fiercely enforce the new BIPL against patent infringers.

Joaquim Eugenio Goulart



LITIGATION/TRADEMARKS

Superior Court of Justice Awards Patrimonial and Moral Damages to Louis Vuitton

In a recent unanimous decision (judgment occurred on April 04, 2003) the third panel of the Superior Court of Justice awarded patrimonial damages to the producer of luxury goods of the well-known mark "LOUIS VUITTON" and its local distributor, as a result of dilution of the value of the mark perceived by consumers, due to sales of counterfeited products for a small percentage of the price of the original product.

The decision of Special Appeal n° 466761 originated from an action, filed in 1998 by Louis Vuitton and its local distributor against a company called Caliente Comércio de Modas, established in a famous shopping mall in the city of Rio de Janeiro.

The reporter judge Justice Nancy Andrighi highlighted that the consumer of luxury goods agrees to pay a high price due to the promise of exclusivity and quality. In these circumstances, the counterfeiting generates an immediate patrimonial damage, since it vulgarizes the mark in the consumer's eye, and consequently dilutes the value of the mark, affecting sales of the original product.

Justice Nancy Andrighi's decision represents an evolution of the traditional jurisprudence which required evidence of actual damage, an element always difficult to prove.

The Panel has also granted an award for moral damages cumulatively with patrimonial damages, based on the notion that sales of counterfeited products will reflect on the reputation established by the mark on the market.

Awards of moral damages to legal entities in cases involving the dilution of the reputation of a mark will tend to become more common as a reflection of similar decisions, including the abstract of the Superior Court of Justice n° 227 (Legal entities can bear moral damages), and the interpretation of the new Civil Code, law n° 10.406/2002, which extended to legal entities the protection of personal rights, usually limited to natural persons, and among them, the protection of one's reputation, name and image.

Rodrigo Borges Carneiro



ENVIRONMENTAL LAW

Seminar on Environmental Protection of the Oil & Gas Industry

The first Seminar on Environmental Protection of the Oil & Gas Industry, organized by Dannemann Siemsen Meio Ambiente Consultores, took place on the 26th, 27th and 28th of May, in Rio de Janeiro, with the participation of several environmental protection public authorities, representatives from the National Oil Agency (Agência Nacional do Petróleo), oil companies, international organizations, non-governmental organizations, judges and members of the Public Prosecutors' Office.

Professor J. Owens Saunders, from Calgary – Canada, presented an extremely important report on the Canadian experience and the aspects that could be useful to Brazil, now that the oil activity is open not only to

national but also to international companies.

Some of the most important elements of the Seminar were the extensive debates on the main questions relating to environmental licensing, with particular emphasis on seismic activities and their consequences on the fishing communities.

During the three days of the Seminar, a very beneficial dialogue was established amongst the various parties involved. The event also included the publication of a bilingual English-Portuguese book entitled "Environmental Protection in Oil Exploitation and Production Activities" (Proteção Ambiental nas Atividades de Exploração e Produção de Petróleo), edited by the team of Dannemann Siemsen Meio Ambiente Consultores. This book provides a wide view of environmental licensing for E&P (Energy and Petroleum) activities, and will surely become a very useful tool for the oil industry.

With this Seminar, Dannemann Siemsen Meio Ambiente Consultores believes to have served its duty in actively promoting critical reflection on these matters, thus, contributing to the development of an ever evolving segment of the Brazilian economy.

In view of the success of the first edition of the Seminar, there are now plans for a second expanded edition for 2004.

Paulo de Bessa Antunes



LITIGATION/COPYRIGHT

New Law Targets Copyright Piracy

The battle against copyright piracy is one of today's greatest challenges, considering that the losses incurred by this crime are significant and that piracy grows stronger as one of the pillars of organized crime.

In this context, the enactment in Brazil of Law 10,695 of July 01, 2003, which alters

both the Criminal and the Criminal Procedure Codes in regard to copyright crimes, should be viewed as an important evolution.

The first evolution – and perhaps the most significant one – may have been the inclusion of offenses to neighboring rights in the Criminal Code. This inclusion follows the development of the issue, and the acknowledgement of the importance of neighboring rights in the Brazilian legal system.

It is interesting to note, however, that the legislator failed to include broadcasting organizations, which represent the third category of neighboring rights holders, together with performers and producers. Such inconsistency can already be seen at an international level where the 1996 WIPO Treaty, which addresses the digital agenda, deals with the rights of performers and producers only.

The minimum prison term stipulated by article 184 of the Criminal Code was increased from one to two years, but the maximum term was maintained. In other words, the legislator was eager to show that he considers the violation of copyright and neighboring rights a potentially offensive crime, but he could have been even more daring and also increased the maximum term.

Another interesting issue is the insertion of the notion of indirect profit. Previously,

only the intention of profit was mentioned, which favored the interpretation that direct profit should be proved to characterize a crime. The legislator did not forget to address the issue of technological development. A new paragraph 3 to article 184 of the Criminal Code was inserted. Observing the modernity of the Brazilian Copyright Law (9,610/98), which has characterized as a crime the offering to the public, via cable, fiber optic, satellite, or any other system that allows the user to select a certain piece of work protected by copyright or related rights, and receive it at a scheduled time and place. Such scope allows some online violations to be forbidden at a criminal level.

However, contrary to what is stated in the Copyright Law, which, in a controversial disposition, limits the exception related to private use to the copy of only small parts of a work, Law 10,695 allows an entire intellectual work to be copied, as long as it is done only once and for private use.

Furthermore, various sections were included in the Code of Criminal Procedure. Among the most significant changes is the express authorization to seize the full amount of counterfeit items, together with all the equipment and support materials used to commit the offense. The law also determines that copyright holders should keep the seized products, and allows these items

to be destroyed before the criminal action is finished, providing that some conditions are observed.

Finally, the law allows associations of copyright holders to act as prosecution assistants.

Far from perfect, this change in legislation is welcome and deserves praise. Now it remains to be seen if there will be a stronger effort by government authorities to better equip the Police and the Judiciary System, to allow an efficient enforcement of the law.

Attilio Gorini

Rodrigo Borges Carneiro



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